Contract Quality
PDS, and PD^2 / SPS

July 2012

"Too often, both in peacetime and during expeditionary operations, the focus of the contracting process is on contract award, with post-award management being neglected."
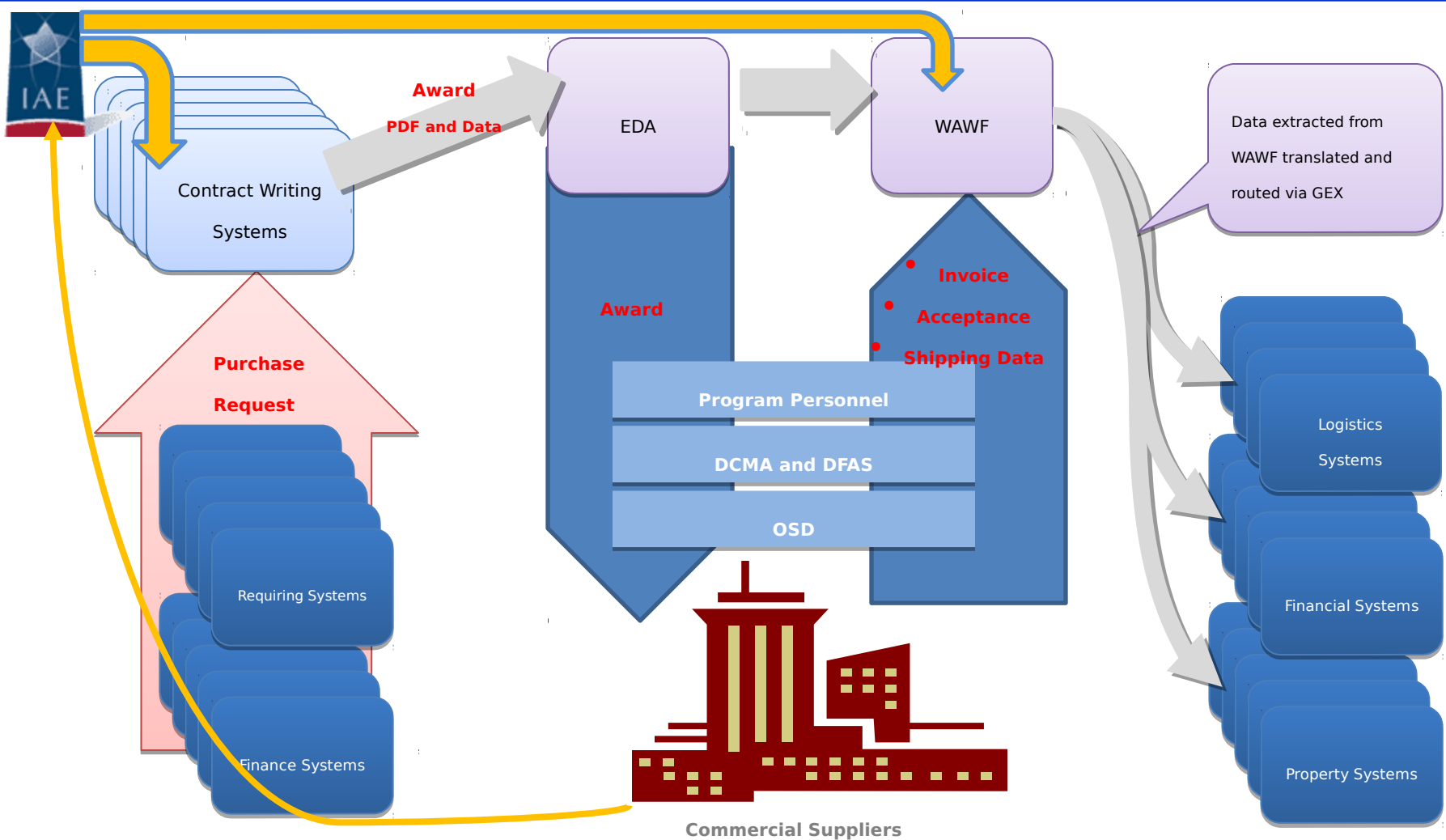
Gansler Commission Report

Agenda

- Basic Procurement Systems Data Flow
- Contract Data
  - Bad Data/Good Data: Prompt Pay Act Interest
- PDS Initiative/PDS in EB Enterprise
- PDS & PD2/SPS User
- PDS Compliance
- Contract Quality Issues in PDS
- Helpful Contract Hints
- PDS Evaluation
- Becoming PDS Compliant in EDA
- Closing Remarks

Basic Procurement Systems Data Flow

Award PDF and Data

Contract Writing Systems

EDA

WAWF

Data extracted from WAWF translated and routed via GEX

Award

- **Invoice**
- **Acceptance**
- **Shipping Data**

Program Personnel

DCMA and DFAS

OSD

Purchase Request

Requiring Systems

Finance Systems

Commercial Suppliers

Logistics Systems

Financial Systems

Property Systems

Impact of WAWF and EDA

- **FY02 Prompt Payment Act Interest (before WAWF)**
  - **$36M on $106B**
  - **$343 per million**
  - **Would have been $169 per million at FY11 PPA rates**
- **FY11 Prompt Payment Act Interest**
  - **$17M on $392B**
  - **$ 44 per million**
- **Interest Avoided in FY11 – approx $49M**
  - **392B/1M x (169-44)**

Prompt Pay Act Interest

- $17.4M in interest penalties for late payment in FY11

- 94% of contracts incurred no interest

- 182 contracts (0.02%) accounted for $4.2M (24%)

- Common Causes

  - High rate of modification or large number of mods over an extended period

  - Additional of substantial work by modification

  - Misuse of ACRNs – more than one LOA per

  - Erroneous mods causing confusion about funding (e.g. deleted SLIN)

  - Mixing of contract types

- Corrective actions

  - Options as separate contract documents IAW DFARS 204.7001(c)

  - New orders for new work

  - Construct contracts with careful attention to data

Focus on the Contract

- Problem
    - Lost shipments, Frustrated Freight, and shipment delays
    - Prompt Payment Act interest penalties
    - DFAS costs
    - Acquisition visibility
- Our Success is Influenced by Contract
    - Structure
        - Line items
        - Traceability throughout Schedule
    - Content
        - Pricing arrangements
        - DODAACs
        - CAGEs
        - PSCs

Effects of Bad Contract Data

- Inability to manage and enforce contract terms
- Delays in getting supplies to the warfighter (frustrated freight)
- Increased cost of administration
- DFAS costs increase 10x when manually processed (non-DCMA administered)
- Difficulty tracking and enforcing performance
- Difficulties in accounting for property after delivery

PDS Initiative

AT&L tasked DPAP (June 5, 2007) to develop a procurement data strategy for DoD

The Procurement Data Standard (PDS) is a system-independent data standard that is intended to be adopted and implemented DoD-wide for creation, translation, processing, and sharing of procurement actions.

- It defines the minimum requirements for contract writing system output to improve visibility and accuracy of contract-related data, to support interoperability of DoD acquisition systems and to standardize and streamline the procure-to-pay business process.

For more details and information:
URL:
http://www.acq.osd.mil/dpap/pdi/eb/procurement_data_standard.html

PDS in the EB Enterprise

- Contracts written using Procurement Desktop Defense (PD^2) / SPS will utilize a translator that resides alongside the PD^2 Adapter to convert the SPS XML to the PDS XML format and transmit to GEX

- GEX houses a validation map to check incoming PDS XML for proper format and business rules from all sources

- EDA developed a rendering capability to convert awards in PDS XML format into human readable contract representation
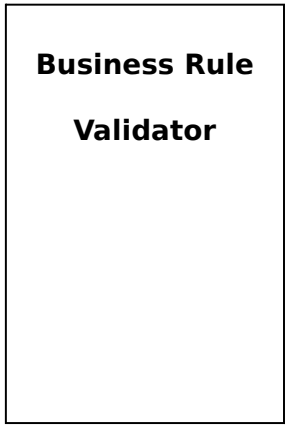
PDS XML Data Flow

PDS XML Requirement
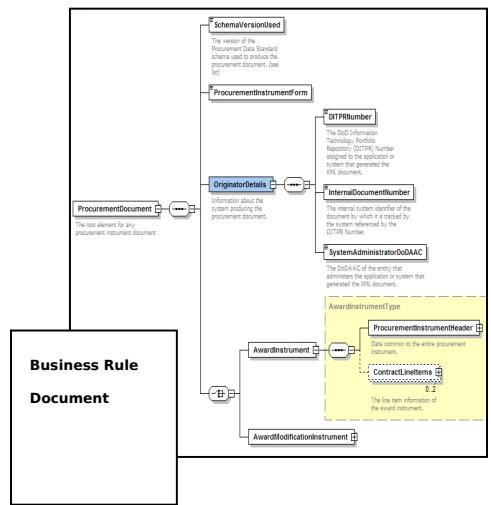
CWS produces the PDS XML

GEX Validates

EDA Renders the PDS XML

Business Rule Document

Business Rule Validator

The PDS standard format for procurement instruments is an XML Schema Definition (xsd) which can be used to generate an Extensible Markup Language (XML) document. Many rules regarding data are required are part of the schema, others must be enforced by validations outside of the schema. The Business Rule Document provides the details about those validations.

Contract Writing Systems must convert their contract data to the PDS XML format specified in the PDS xsd.

The xml for each individual contract will be evaluated for business rule compliance by GEX to determine acceptance or failure.

Contracts that are accepted by the business rule validator will be passed to the Electronic Document Access (EDA) system for storage and rendering.

PDF vs PDS

What's Happening to the SPS Data?

PD^2 Application Server processes

Released Actions into .ps and .idx files.

WAWF

GEXWEST

DISA DMZ

Ogden, UT

PD^2 Application Server

.ps & .idx

EDA

Release Actions

PD^2 Database

PD^2 Client

SPS XML

Release Actions are polled from the database.

PDS XML

PD^2 Adapter

.ps

.idx

SPS XML

PDS XML

Selected Directory

SFTP

.ps, .idx
Channel 1

SPS XML
Channel 2

PDS XML
Channel 3

PDF, csv

1

2

EDA Synopsis
XML

3

PDS XML

PDS

ck/nck
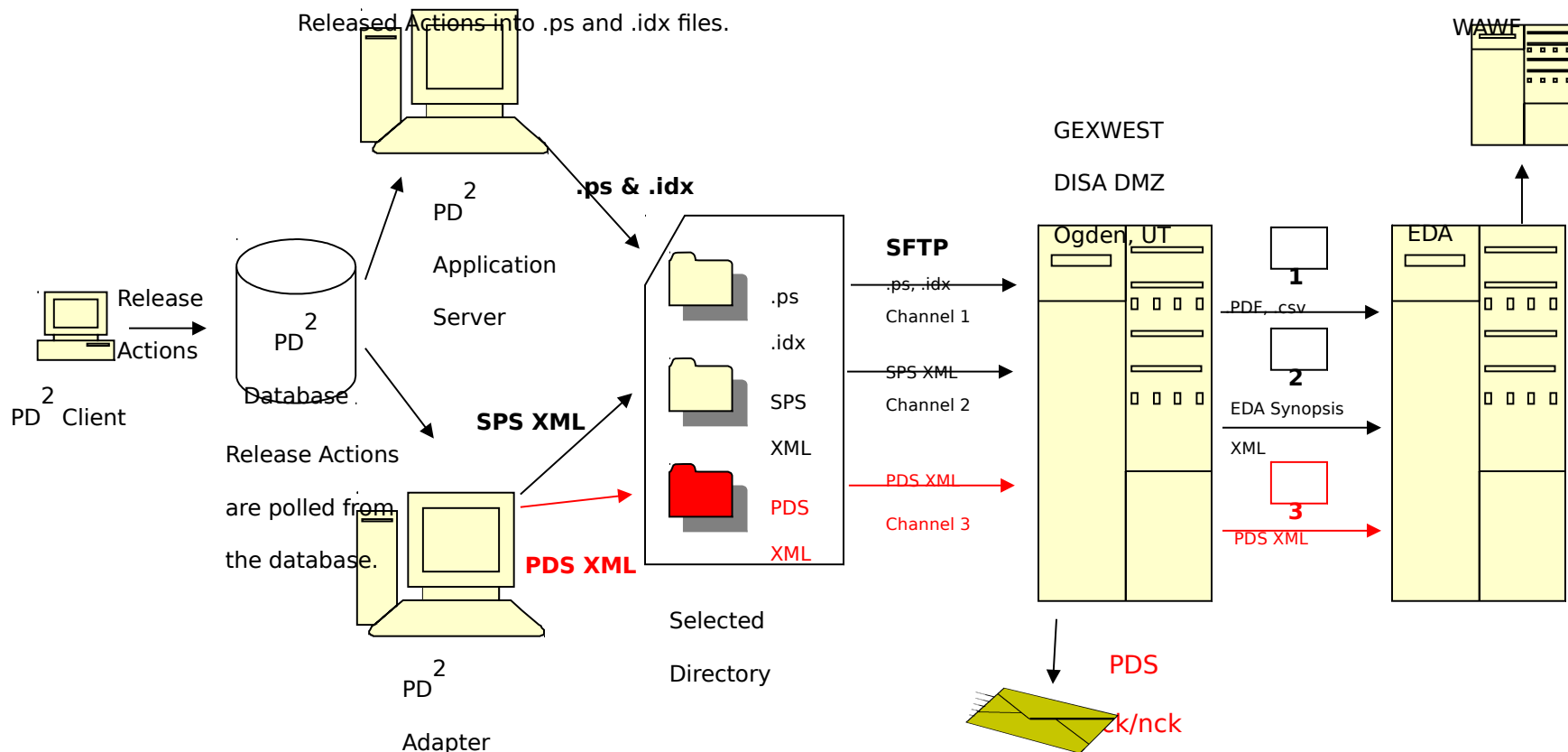
NOTE: Some sites send SPS XML via HTTPS

WebMethods Integration Server
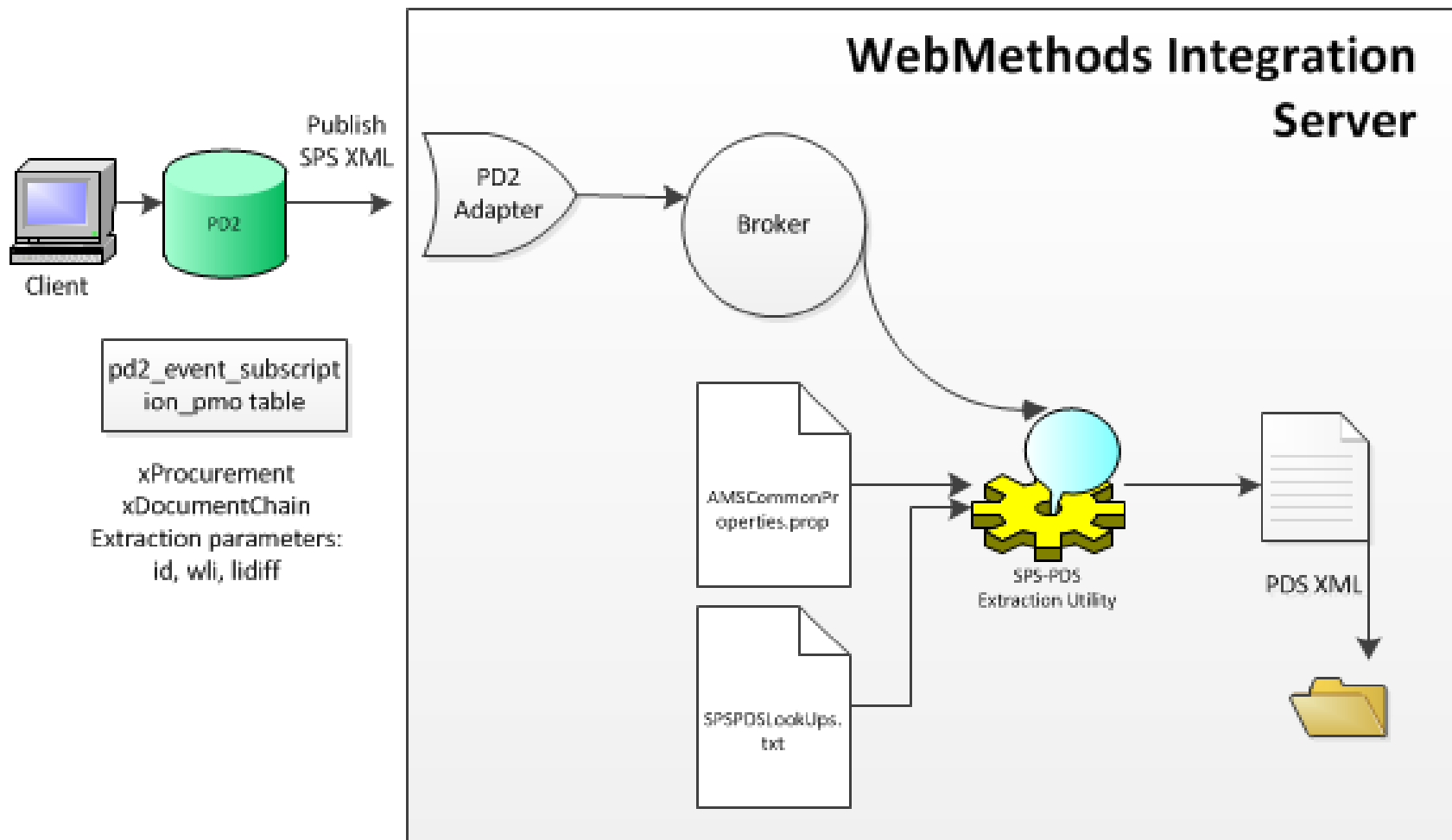
SPS Statistics

- **June 27**th

  - **390** Contracting Offices live with PDS (increase of 12 offices)

  - **78%** of all SPS Contracting Offices sending PDS

    - ODAs 30 out of 56 offices sending (54%)

    - Navy 42 out of 117 offices sending (35%)

    - Army 219 out of 227 offices sending (96%)

      - Contingency in Afghanistan not counted

    - Air Force 99 out of 100 offices sending (99%)

  - Over **156,000** SPS PDS Awards since October 2010

  - Over **104,000** compliant PDS Awards passed to EDA since October 2010

  - Jun 1 – Jun 27: **13,416** SPS PDS Awards with a 76% Compliance

- **PDS v2.3 (Awards & Mods)**

  - **184** Contracting Offices upgraded to v2.3 and produced output

    - 170 Army, DARPA, MDA, WHS, DISA, Air Force (Peterson)

SPS PDS Compliance Rates

SPS - PDS % Valid
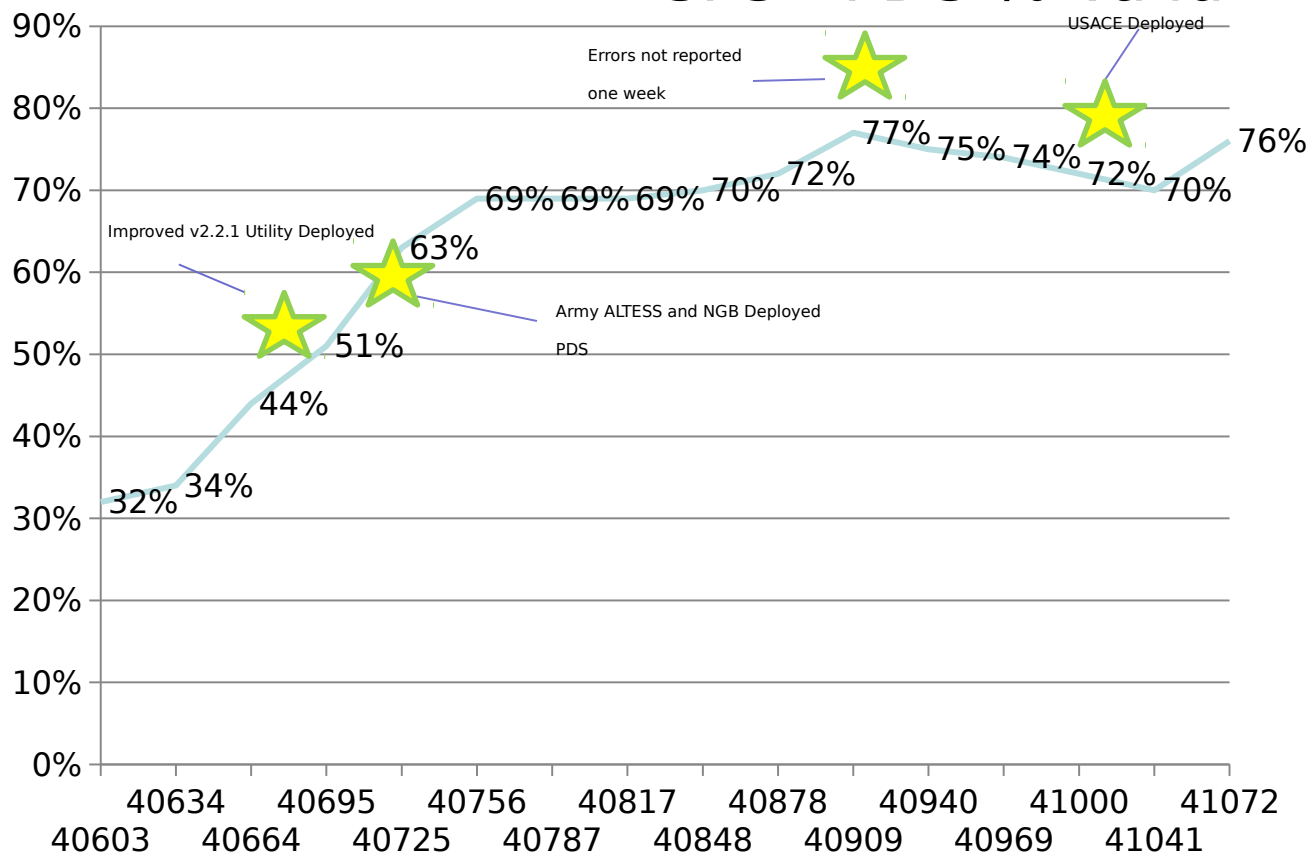
Number of Offices and Contracts by % PDS Compliant: 6/1 to 6/27/12

Compliance Rate

■ Number of Offices
■ Number of Contracts (in hundreds)

Mean Compliance = 76%
Median Office Compliance= 83%
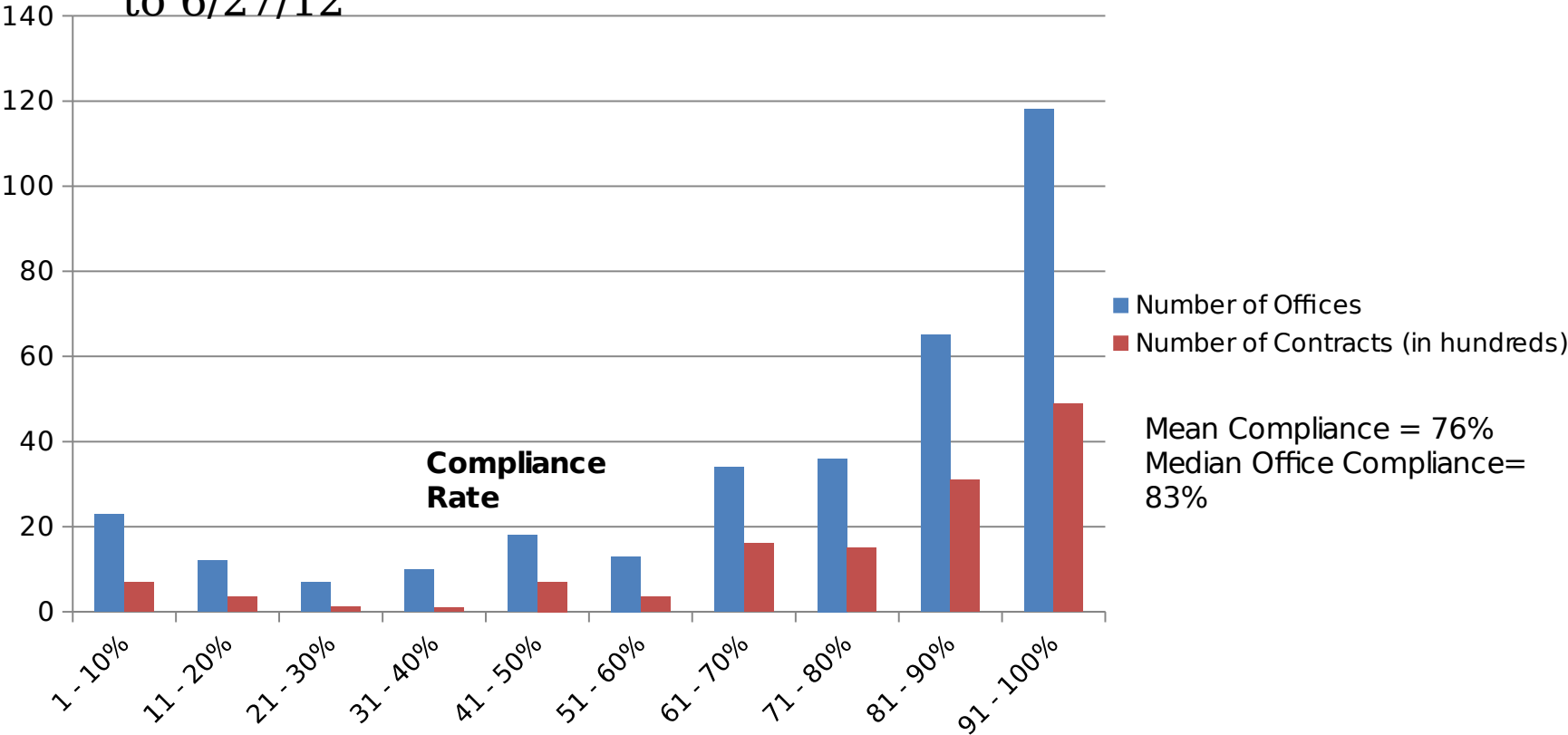
What does PDS mean to the PD² / SPS User?

- Need for greater attention to quality of data in contracts

- Ability in EDA to see conformed copy of contract as modified (later)

- Ability to measure, trace, and diagnose contract quality problems

What is PDS Compliance?

- A PDS contract will pass the edits if:
  - Required data based on contract type, structure, and other requirements (e.g. acceptance points)
  - Correct data formats
- A contract may fail PDS edits because of data, yet visually still appear compliant with the regulations
- The PDS validation is catching errors made in contract formation as well as errors due to software
  - e.g. Firm Fixed Price line item with "estimated"

Contract Quality Issues found by using PDS

- Entering data as text
- Not including delivery dates, PoP, Ship To DoDAACs, addresses, or contact methods (i.e. phone numbers) for the delivery locations as data
- Not setting up "NSP" line items properly
  - "No Charge"
  - ACRNS and $0 obligated dollars assigned to line items that are not being separately paid for
- Misstated contract types (e.g. FFP NTE)
- Not including standard Payment Instructions (DFARS PGI 204.7108)

Pick One

- A contract line item can have separately identifiable subline items
  - 0001AA
  - 0001AB
  - Allows division of effort into separately delivered parts
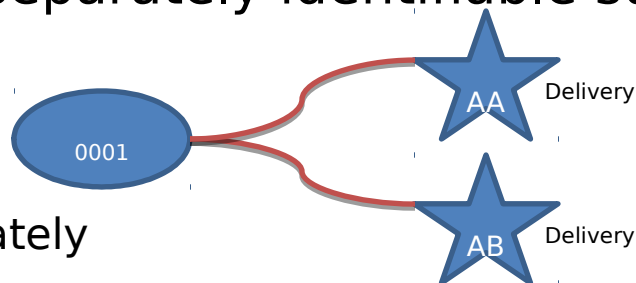
- A contract line item can have informational subline items
  - 000101
  - 000102
  - Allows identification of multiple funding sources for an effort

- It cannot have both
  - No way to know what funds go where
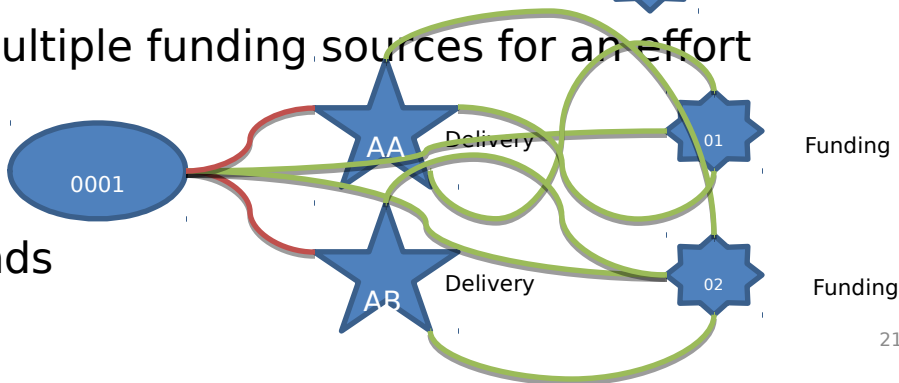
Sesame Street Test

- One of These Things Is Not Like the Others
  - Look carefully at the items below.
  - Which object does not belong? Circle it.
  - How is it different from the others?
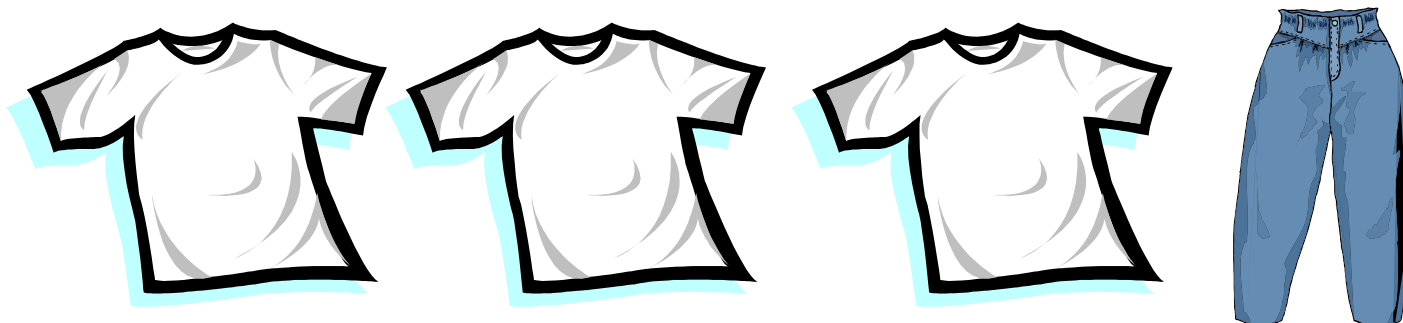
Make this two line items

Do not make this, "Clothing, 1 Lot"

Sesame Street Test - Part 2

- One of These Things Is Not Like the Others
  - Look carefully at the items below.
  - Which object does not belong? Circle it.
  - How is it different from the others?

Make this two line items

Do not make this, "Spare Parts, 1 Lot"

Unit of Measure

CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
0001	PLUS Performance Plan on ID-051957	16500	US$	$1.00	$16,500.00
	ADVIA 2120 Hematology System				
	Serial#: IR18660802 Catalog #: 10369360				
	Line Pricing Type : FFP				
	Not to Exceed Amount: $16,500.00				
	Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				

Wrong Way

CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
0001	PLUS Performance Plan on ID-051957	1	Year	$ 16,500.00	$16,500.00
	ADVIA 2120 Hematology System				
	Serial#: IR18660802 Catalog #: 10369360				
	Line Pricing Type : FFP				
	Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				

A Right Way

CLIN	Supplies / Services	Quantity	Unit	Unit Price	Total
0001	PLUS Performance Plan on ID-051957	1	Year	Estimated Cost	$15,750.00
	ADVIA 2120 Hematology System			Fixed Fee $750.00	
	Serial#: IR18660802 Catalog #: 10369360				
	Line Pricing Type :CPFF				
	Period of Performance: From 19-NOV-2011 To 18-NOV-2012A				

A Right Way

CLIN Tips

- Clear and Simple
- Only subdivide CLINs for a single reason
  - Multiple subline breakouts make bizarre contracts
  - Consider separate CLINs for other breakouts
- Plan for CLIN expansion during contract life
- Check examples in DFARS 204.7104-2
- Consult service/agency guides
- Defense Acquisition University
  - https://learn.dau.mil/html/clc/Clc.jsp Course: Structuring Contracts for the Emerging DoD Environment (CLC033)

Payment Instructions
DFARS PGI 204.7108

- The contracting officer shall insert numbered instructions in Section G in a manner that reflects the performance of the work on the contract
- When incorporating clauses by reference in Section G, cite the clause number, title, and date
- If additional accounting classification citations are added, the payment instructions must be modified
- Contracting Officers shall not issue modifications that would create retroactive changes to payment instructions

The eleven instructions exist in PD2 (i.e. 252.204-0001 thru 252.204-0011).

MOCAS can interpret 4 of the 11 clause-like numbered payment instructions automatically.

10 Basic Questions
(ask before signing the contract)

1. **Deliverables**: What do we expect the contractor to deliver (list hardware, services, software, and data)?
2. **Line Item**: Do we have a line item, sub-line item, or exhibit line item for each answer to #1? Do we have ACRNs assigned to each in section B? Do the totals by ACRN, CLIN, and line of accounting match?
3. **Item Delivery**: When is each item due to be delivered?
4. **Payment**: How much will the contractor get paid?
5. **Interim Payments**: Are there interim payments before delivery? If so, on what basis? How are billings apportioned across funding lines?
6. **Processing Payment**: When will the contractor get paid? What documentation will be required to effect payment?
7. **Payment and Delivery**: How is the timing of contract payments related to deliveries?
8. **Clarity of Payment/Delivery**: Is it clear in the line item structure and sections F - I how payments relate to delivery?
9. **Performance**: What constitutes acceptable performance? How is it measured?
10. **Inspection/Acceptance**: How do the inspection and acceptance criteria in section E relate to the answers to 9?

If you can't answer __all__ these questions, do not sign the contract!

Getting Started with PDS

- Step 1: Housekeeping
  - Script that can identify the invalid TINs "P_VOM_invalid_tin_codes"

- Step 2: Set Up Additional GEX Channel
  - SPS System Administrators contact GEX Administrator to set-up the additional channel for PDS XML (send in the same manner as .ps, .idx)
  - Give email address for who should receive Daily Reports
  - Request that you do not receive ACK/NCK emails

- Step 3: Install / Configure SPS – PDS Extract Utility
  - SPS System Administrators log onto the CACI KB and download the following under PD2 Adapter products
  - KB Download ID# 12554 (PDS Phase 2 Installer v2.3 and Installation Instructions)
  - KB Download ID# 12557 (PDS Extraction Operations Guide.pdf)
  - Contact the SPS Help Desk to request the 'PDS-I_ADP_update_PDS_ext_param' script to update the extraction parameters
  - Tell the SPS JPMO you have turned on so we can begin tracking issues

- Step 4: Production Contract Actions Passed to EDA as PDS XML
  - SPS JPMO to begin analyzing pass / fail and providing GEX reports to participating sites and DPAP
  - Inform contracting office PDS Eval links in EDA on contract query screen

- Step 5: Go Compliant

GEX Weekly Reports

- GEX Reports will be provided weekly from SPS JPMO

  - Reports will indicate which contracts failed and why

  - Opportunities for training

  - Possible Extract Utility errors

- 3 Tabs in the Report Spreadsheet

  - Trans Report: High Level Summary including number of files sent, number that failed / passed, and % valid

  - Source Error Summary Report: The number of times an error message occurred for a particular Issue Office

  - Detailed Error Report: Lists contracts by issue office that fail and the reason for the failure

GEX also has daily reports that list the files sent to them and processed.

How To Use the Reports

- Look up error message in "PDS Compliance Tips Guide for SPS Users"

  http://sps.caci.com/kb/content.cfm?id=12493

- Guide will instruct reason for the message and how to avoid

  those errors in the future

- Work with users on routine errors

- PDS requires greater attention to detail

  in writing contracts

- SPS requires certain specific actions to

  properly capture the data even if the

  contract is visually correct

PDS Evaluation

- Data in EDA marked PDS EVAL is for review / evaluation

In EDA Click <u>PDS EVAL</u> to view the PDS Contract Document to

Review and Validate

EDA Supports a PDS Data Review
(Evaluate)

- <u>Each</u> Issue Organization/DoDAAC determines how PDS data is used and viewed in EDA
  - <u>ALL</u> Issue DoDAACs begin in PDS Evaluate

- **Evaluate -** Opportunity to compare, validate, and review the contents of the Contract document in data (XML) format to the official PDF document. PDS rendered in Uniform Contract Format (UCF). View only.

- **Compliant** - Once an organization/DoDAAC is satisfied with their review of the contract writing systems PDS XML output, the Issue DoDAAC may become PDS compliant in EDA, making the PDS data in EDA authoritative data to be shared with other systems/sources.

To Become PDS Compliant in EDA

Once an Organization/DoDAAC is satisfied with their review of PDS data,

the Issue DoDAAC may become PDS Compliant in EDA.

<u>Steps to Become Compliant</u>:
1. Determine action for Evaluation PDS data submitted to date
   - Keep ALL or Delete ALL
2. Contact the EDA Program Office - EDAMail@dla.mil
   - Provide DITPR Number (for example SPS is "0431")
   - Provide the SysAdminDoDAACs and Issue DoDAAC(s)
   - Action for Evaluation PDS data (Keep or Delete)
   - Provide PDS version (i.e. v2.2.1 and v2.3) and Contract Type (i.e. Awards)

3. EDA PMO will run a script to update the EDA database to indicate that the DoDAAC is PDS compliant
   - Date/Time, Compliant Indicator (Y), Comments

4.   Based on Evaluation data action, EDA PMO will run a script to delete data or run a script to extract previously submitted PDS data

Effects of Becoming Compliant

- When a site is PDS Compliant, then PDS data is sent to WAWF for pre-population.
  - PDS data in evaluate will not be sent to WAWF
  - If PDS data is not available (or fails to pass the edits) the existing XML will be used for WAWF pre-population
- PDS data becomes available to answer queries from Congress, GAO, IG, etc.
- EDA and WAWF data will be fed to PPIRS-SR to automatically measure delivery performance on supply contracts

Data Flows of Procurement Data Standard (PDS) BEFORE Toggling Evaluation Mode

SPS	
PDF (w/ .CSV)	
SPS XML	GEX (Global EXchange)
PDS XML	

- .CSV File → EDA
- EDA XML
- PDS XML
- (EVAL)
- EDA XML or .CSV File (Web Service) → WAWF
- WAWF → Logistics Systems
- WAWF → Property Systems
- WAWF → Finance / Acctg. Systems

EDI x12 850 (Awards) / 860 (Mods) Transactions Sets (converted from SPS XML)

Pilot / Eval Data

Active/ Shared Production Data

**Evaluation Mode is toggled by DoDAAC

SPS

PDF (w/ .CSV)

SPS XML

PDS XML

GEX*

EDA XML

.CSV File

PDS XML

EDA

PDS XML (Data Feed)

If contract passes GEX edits, PDS is sent to WAWF, otherwise will default back to either EDA XML or .CSV File

WAWF

Logistics Systems

Property Systems

Finance / Acctg. Systems

EDI x12 850 (Awards) / 860 (Mods) Transactions Sets (converted from SPS XML)

Pilot / Eval Data

Active/ Shared Production Data

*In the near future, PDS Data will be translated to EDI x12 850 (Awards) / 860 (Mods) transaction sets, vice continuing to use SPS XML

**Evaluation Mode is toggled by DoDAAC

Closing Remarks

- PDS moves DoD from documents to data
- Supports Congressional and Presidential transparency initiatives
- Enables Joint Staff and Logistics community to see what we are buying
- Reduces workload in field for responding to queries
- Therefore:

Final Review of Steps

- Review results from GEX and in EDA
- Transition from PDS Eval to live in EDA
- Enjoy

Questions/Comments

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